

Solutia, Monsanto reach agreement on cleanups

■ Judge approves deals for work in Sauget and in Anniston, Ala.

BY RACHEL MELCER
Of the Post-Dispatch

Bankrupt chemical maker Solutia Inc. and its corporate cousin, Monsanto Co., have agreed to split costs and cooperate on environmental cleanups and litigation in Anniston, Ala., and Sauget.

The companies, which previously have sparred over their responsibilities, won approval for a series of new arrangements from Judge Prudence Carter Beatty. She approved several requests following a late-afternoon hearing Thursday in Bankruptcy Court in Manhattan.

"Both companies know it's in our best interests, as well as in the communities', to make sure that the work stays on track and gets done," said Monsanto spokesman Glynn Young.

Yet, their disputes are far from over. Monsanto and Solutia will continue to argue in Bankruptcy Court over who ultimately is liable for the environmental and legal-liability mess sprung from decades of producing polychlorinated biphenyls, or PCBs.

The chemical, which was last made three decades ago, is suspected of causing cancer and other ailments.

The companies both spun out of the "old" Monsanto, which made chemicals including PCBs, pharmaceuticals, sweetener and products for agriculture; and which merged in 2000 with Pharmacia & Upjohn Inc. to create Pharmacia Corp.

Solutia, based in Town and Coun-

try, was created out of the chemical business in 1997. The "new" Creve Coeur-based Monsanto, which makes herbicide and develops biotech seeds, became an independent company in 2001. In 2002, Pfizer Inc. acquired Pharmacia.

Solutia agreed, as part of its spin-out, to cover the old Monsanto's environmental liabilities and certain benefits for 20,000 retirees and their dependents. It says those costs, which total approximately \$100 million a year, drove it into bankruptcy. It also took on \$1 billion of the old Monsanto's debt.

When the new Monsanto was created, it agreed to handle any of these environmental or benefit costs if Solutia failed or became unable to pay them. If Monsanto, too, should fail, the expenses would flow back to Pharmacia, a unit of Pfizer.

As part of its bankruptcy case, which was filed in December, Solutia wants to reject all or a portion of these legacy liabilities. Monsanto, Pharmacia and Solutia's creditors and equity holders all will argue the point in coming months.

In the meantime, the companies are attending to certain cleanups and litigation settlements. Beatty approved several related requests:

■ Solutia will pay an installment of \$214,221 to an educational foundation for the children of Anniston. The company, along with Monsanto on behalf of Pharmacia, is required to give \$3.2 million over 12 years to the foundation under a consent decree reached with the U.S. Environmental Protection Agency.

■ Solutia will pay \$5 million, due Thursday, under a \$550 million settlement reached a year ago in two lawsuits brought by 20,000 Annis-

ton area residents over PCB contamination.

Solutia is required to pay \$5 million a year over 10 years, in exchange for Monsanto and insurance policies covering the remainder. Solutia said if it fails to pay, it could face a \$390 million claim from Monsanto.

■ Solutia and Monsanto will split the cost of building a slurry wall in Sauget, which is meant to prevent contaminated groundwater from entering the Mississippi River.

The project has run \$9.65 million over the original budget of \$4.45 million, leading to a dispute with contractor Inquip Associates Inc. It is settled with this deal, and the work should be done by year's end, according to court documents.

■ Solutia, Monsanto and Pharmacia will jointly prosecute cleanup cost-sharing lawsuits against other companies allegedly responsible for polluting Anniston and Sauget. They will be represented by Clayton-based Husch & Eppenger LLC.

In addition, Solutia is managing and Monsanto is funding the ongoing cleanup of 177 residential yards in Anniston, which have been contaminated with PCBs. They also are studying the extent of contamination throughout the community and its waterways, which is likely to greatly expand the cost and scope of work.

Responsibility for that ultimate cleanup will be divvied up along with Solutia's legacy liabilities through its bankruptcy, the companies said. And Monsanto reserves the right to seek reimbursement from Solutia for any of the costs it has incurred so far.

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